

Estimated Fiscal Impact of Bill # HB 229 Date January 26, 2009Short Title PUBLIC SCHOOL FUNDING by Rep. Wayne HarperContact Cathy DudleyTitle MSP Budget and Property Tax SpecialistAgency Utah State Office of EducationPhone 801.538.7667**Short Form****!!!!REVISED!!!!**

Use only when there is no appropriation needed for state agencies, and no fiscal impact on state revenues, local governments, businesses, or individuals.

If the bill looks like it should have a fiscal note, explain why it does not. For example, a bill might put into code something that is already current practice.

Attachments welcome.

- ☒ State agencies will not require an appropriation to implement the bill.
☐ There is no fiscal impact on local governments.
☐ There is no fiscal impact on businesses
☐ There is no fiscal impact on individuals.
☐ The bill will not affect revenues.

Explain why this bill has no fiscal impact.

A. What parts of the bill cause fiscal impact?

Cite specific sections or line numbers.

Line 2195 increases the sales sales from 4.70% to 6.15%. Lines 1182-1185 requires the State Board of Education to deduct an amount equal to the amount of the revenue a charter school receives from the state funds. Lines 2498-2501 requires the Division of Finance to deposit that increase in sales taxes to the Uniform School Fund.

B. Which program gets the appropriation?

(Approp. Unit Code)

(To appropriate to an additional program use an additional form.) This is ____ of ____.

C. Work Notes: Assumptions, calculations & what are we buying?

Assume that a legislator calls you in to explain how you came up with your fiscal impact and these are the only notes you get to take with you.

List all costs. Identify one-time and ongoing costs. Detail FTE impacts.

Do not say, "\$50,000 in Current Expense." Be very specific about what \$50,000 will buy.

Attachments encouraged.

In the Highlighted Provisions of the bill, it states that the bill increases the statewide minimum basic tax rate. I could not find that section in this bill that increases the basic tax rate.

This bill consolidates the existing authority for school districts to impose 11 separate property tax levies into two local discretionary General Fund levies: the Voted Local Discretionary Levy (ceiling of 0.002000; renaming the voted leeway with state aid guarantee) and the Board Local Discretionary Levy (ceiling of 0.004200-except for school districts that levied an aggregate tax rate for the newly defined Board Local Discretionary Levy of 0.003990 or more in FY2008-09 may levy an additional 0.001000 for a total of 0.005200 [53A-171a-163(2)]) and repeals 10 of the 11 consolidated levies (53A-17a-133 and 53A-17a-164).

Please see further explanation on the worksheet titled C. Work Notes (continued).

Fiscal Impact Tables

Current Budget Year
FY 2009

Coming Budget Year
FY 2010

Future Budget Year
FY 2011

D. If this is a revenue bill, show impacts here. (Select funds from drop-down menu.)

Uniform School Fund			617,000,000
Education Fund			7,700,000
Property Tax			(652,000,000)
Total	<u>\$0</u>	<u>\$0</u>	<u>(\$27,300,000)</u>

E. Show Costs to Implement the Bill by Fund (Select funds from drop-down menu.)

Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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F. Show Costs to Implement the Bill by Expense Category.

Personal Services			
Travel			
Current Expense			
DP Current Expense			
DP Capital Outlay			
Capital Outlay			
Other/Pass Thru			
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

G. How will the bill impact local governments?

Your estimate of the bill's impact on local governments.

Attachments welcome.

Local taxing entities will be unable to raise property taxes above the certified rate. Because of this, and based upon historical data from the legislative Fiscal Analyst's office, local taxing entities will be unable to raise property taxes by \$71,000,000 in FY2011. Regarding the uniform fees, school districts could experience a loss of \$3,000,000 in FY2011 whereas other local taxing entities will experience an increase of \$3,000,000. On the provision related to the Capital Outlay Foundation Program, there will be a shift of approximately \$14 million to high growth districts from non-high growth districts.

H. How will the bill impact businesses?

Your estimate of the bill's impact on businesses.

Attachments welcome.

Property tax for individuals and businesses will decrease by \$652,000,000 in FY2011. Businesses and individuals will not experience an increase in property tax of \$71,000,000 in FY2011 that historically would have been paid.

I. How will the bill impact individuals?

Your estimate of the bill's impact on individuals.

Attachments welcome.

Property tax for individuals and businesses will decrease by \$652,000,000 in FY2011. Businesses and individuals will not experience an increase in property tax of \$71,000,000 in FY2011 that historically would have been paid.

This bill consolidates the existing authority for school districts to impose 11 separate property tax levies into two local discretionary General Fund levies: the Voted Local Discretionary Levy (ceiling of 0.002000; renaming the voted leeway with state aid guarantee) and the Board Local Discretionary Levy (ceiling of 0.004200-except for school districts that levied an aggregate tax rate for the newly defined Board Local Discretionary Levy of 0.003990 or more in FY2008-09 may levy an additional 0.001000 for a total of 0.005200) and repeals 10 of the 11 consolidated levies.

Attached is a spreadsheet (**HB229-VALTAX09-Revised**) that shows the rate a school district would currently have based on the tax levies going to the new Board Local Discretionary Levy. There are four school districts that would qualify for the increased ceiling of 0.005200 (Duchesne (0.004327); San Juan (0.004867); South Summit (0.0041019); and Logan (0.004150). This rate is shown in Column AG of that spreadsheet.

The bill amends the Voted Leeway Program and changes the name of the Voted Leeway to the Voted Local Discretionary Levy (**53A-17a-133**). The vote for a Voted Leeway can be at a General Election in November or at any Special Election. The provision remains that school districts need not go through the advertising portion of the Truth In Taxation (TNT) process with the Voted Local Discretionary Levy if they have had a vote on the issue within the prior four years.

A school district's "board property tax revenue" is defined as an amount equal to: (a) the amount of revenue generated by the nine repealed levies beginning January 1,2009, including new growth; LESS (b) the amount of revenue the school district receives during fiscal year 2010-11 from the allocations that were deposited in the Homeowner Protection Program (**53A-17a-164**).

The school districts are exempt from the TNT provisions for the Board Local Discretionary Levy if the district budgets an amount of ad valorem property tax revenue equal to or less than the school districts "board property tax revenue" - described above. This means that more funds are distributed statewide based on WPU value and less funds are distributed statewide based on local property tax relative wealth, that is, potentially a measure of assessed valuation per student. This is part of the equalization goal of this bill.

This bill also allows a new school district created from the division of a school district to discontinue, impose or change the Board Local Discretionary Levy and the Voted Local Discretionary Levy subject to the maximum duration or tax rate authorized by the voters of the existing school district. Repeals the Capital Outlay Foundation Program (**53A-21-201**), but retains the Enrollment Growth Program (**53A-21-301**) and places ongoing Capital Foundation funds into the Capital Outlay Enrollment Growth program (**53A-21-501**).

Attached is a spreadsheet (**HB229-Enrollment Spreadsheet**) showing the funds distributed through the Capital Outlay Enrollment Growth Program. In columns P and Q on the worksheet titled "ENROLLMENT GROWTH-ALL FUNDS " there is a comparison between the current distribution of both the Capital Outlay Enrollment Growth Program and the Foundation Program and the distribution of just the funding for the Enrollment Growth Program going forward. As you can see, there would be winners and losers in this distribution. (Current year data was used to calculate this spreadsheet. Canyons School

District was not separated from Jordan School District in the calculation because Canyons School District data is not available at this time.)

Also, the school districts' contribution to the Charter School Local Replacement Funding would be increased because the Board Local Discretionary Levy would include those tax rate revenues that are not currently used for that calculation. The attached spreadsheet (**HB229-Local Replacement Funding Spreadsheet**) shows the increase to school districts on the worksheet tab, DATA using New Board LDL in column AH.

In FY2010-11, districts in First Class Counties must also levy a Board Local Discretionary Levy of 0.000600 (**53A-17a-163(4)**) to be distributed for Capital purposes. The District's Board Local Discretionary Levy may not be considered in establishing the district's aggregate certified tax rate, but shall be included in establishing a certified tax rate for the levy itself and provisions relating to the requirement that a school district in a divided school district levy at least 0.000600 by substituting the repealed capital outlay levy in **53A-16-107(3)** for the new Board Local Discretionary Levy in **53A-17a-163**. This effects Truth In Taxation parameters of **59-2-924.3** "Adjustment of the calculation of the certified tax rate for a school district imposing a board local discretionary levy in a count of the first class" and **59-2-924.4** "Adjustment of the calculation of the certified tax rate for certain divided school districts."

The Special Transportation Levy in **53A-17a-127** is repealed, however the guarantee of 85% of the state average cost per mile-contingent on Legislative appropriations-remains in **53A-17a-127(6)(b)(i)**.

The Reading Achievement Board Levy is repealed, however, the school district's local matching dollar requirement remains. The Utah State Office of Education will be required to verify that a school district allocates the matching monies before USOE distributes the funds (**53A-17a-150(8)(e)**).

The sales tax is increased from 4.70% to 6.15% in **59-12-103(2)(a)(i)(A)**. In **53A-12-103(13)** 1.45% of the sales tax is to be deposited into the Uniform School Fund to be allocated in accordance with **53A-17a-164** which is the *Homeowner Protection Program*. As stated, the revenue deposited in this program shall be allocated to school districts based on a school district's total weighted pupil units compared to the total weighted pupil units for all districts in the state. It is to be used to pay for bonds issued by a school district. Any revenue left over is to be used to replace the revenue decrease from the school district's decreased aggregate certified tax rate as a result of the repeal of the 11 tax levies. The attached worksheet **HB229-Sales Tax Increase** reflects the dollar amount that could be generated from the increase in sales tax.

Beginning in FY 2010-11 the State Board of Education must deduct the amount of revenue that charter schools receive from the allocation of sales tax monies from the Homeowners Protection Program from the state funds charter schools are authorized to received un the Minimum School Program (**53A-17a-164(4)**).

This bill amends the distribution of the revenue collected from uniform fees to allocate 55% of uniform fee revenue to school districts and the remaining 45% to all other taxing entities (**59-2-404, 59-2-405, 59-2-405.1, 59-2-405.2, and 59-2-405.3**). This is due to the potential significant loss of fees-in-lieu distribution due to the reduction of property tax rates by school districts in relationship to other taxing entities within the county.

District Charter Schools	<i>ESTIMATED</i> FY10 WPUS	<i>ESTIMATED</i> BASIC PROGRAM ALLOCATIONS	<i>ESTIMATED</i> REVENUE FROM INCREASE OF SALES TAX ¹
			\$ 616,680,677
01 ALPINE	79,077.641	\$203,736,062	\$66,559,579
02 BEAVER	2,423.908	5,316,204	2,040,201
03 BOX ELDER	14,856.410	53,222,762	12,504,627
04 CACHE	19,212.627	42,433,835	16,171,251
05 CARBON	5,001.036	21,662,546	4,209,367
06 DAGGETT	526.265	7,099,729	442,957
07 DAVIS	82,226.272	185,013,369	69,209,779
08 DUCHESNE	6,518.775	15,591,830	5,486,847
09 EMERY	3,618.032	31,211,050	3,045,294
10 GARFIELD	2,198.598	7,438,353	1,850,558
11 GRAND	2,238.119	13,747,343	1,883,823
12 GRANITE	86,150.109	188,918,333	72,512,469
13 IRON	11,347.512	25,324,905	9,551,191
14 JORDAN	61,270.898	158,789,569	51,571,659
15 JUAB	2,962.060	10,758,874	2,493,163
16 KANE	2,532.549	33,357,625	2,131,644
17 MILLARD	4,357.200	11,011,898	3,667,451
18 MORGAN	2,980.749	17,421,099	2,508,894
19 NEBO	36,324.145	79,930,516	30,574,000
20 N SANPETE	3,238.223	7,760,211	2,725,609
21 N SUMMIT	1,669.943	16,319,770	1,405,590
22 PARK CITY	5,750.600	14,529,247	4,840,275
23 PIUTE	827.474	5,777,101	696,484
24 RICH	1,118.995	4,351,479	941,857
25 SAN JUAN	4,856.648	10,956,138	4,087,836
26 SEVIER	6,670.726	15,020,206	5,614,744
27 S SANPETE	4,510.151	10,599,339	3,796,190
28 S SUMMIT	2,126.262	6,733,719	1,789,673
29 TINTIC	739.676	4,243,311	622,585
30 TOOELE	17,840.863	39,440,956	15,016,638
31 UINTAH	9,013.209	20,102,431	7,586,410
32 WASATCH	6,351.402	19,703,687	5,345,969
33 WASHINGTON	32,955.556	76,010,176	27,738,662
34 WAYNE	1,174.881	6,654,462	988,896
35 WEBER	40,248.381	93,922,644	33,877,026
36 SALT LAKE	31,000.487	66,124,742	26,093,082
37 OGDEN	16,355.551	52,571,067	13,766,452
38 PROVO	17,731.892	48,737,483	14,924,917
39 LOGAN	7,741.688	28,034,154	6,516,172
40 MURRAY	8,083.752	31,904,757	6,804,087
42 CANYONS	45,094.521	109,495,554	37,956,017
Charter Schools	41,737.900	107,557,450	35,130,753
TOTAL	732,661.685	\$1,908,535,986	\$616,680,677

¹Sales Tax revenue estimate from the Legislative Fiscal Analyst.